



Economic Commission for Africa

**Second Meeting of the
African Learning Group on
the Poverty Reduction Strategy Papers
(PRSP-LG)**

18-21 November 2002
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The PRSP Process in Zambia



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The views in this paper are solely the author's; they do not necessarily reflect the views of the Economic Commission for Africa or its officers.

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Brief Historical Background

The early nineteen eighties witnessed the distinct advent of the Structural Adjustment Programme (SAP) in Zambia. Since then SAP began slowly but steadily to gather steam and the middle eighties even saw a vigorous though brief phase of implementation of SAP policies amidst great debate and controversy. The politically unmanageable consequences of the policies (e.g. food riots at the end of 1986 as a result of lifting subsidies on maize meal) compelled the then Zambian Government to beat a hasty retreat and revert to its more familiar domain of controls. By this action, the Government alienated itself from the International Monetary Fund (IMF) and many of the bilateral donors.

Resource constraints, however, brought in the realization that controls too were no longer sustainable and so there was a renewed but cautious attempt to bring back SAP and establish a rapprochement with the IMF and the donors. Camouflaged in politically safe terminology such as “controlled flexibility”, SAP policies began to surface again in the form of partial price liberalization, crawling pegs, etc.

Political liberalization and the ushering in of a new Republic (the Third Republic) based on multi-partyism in the early nineties provided a congenial environment for re-launching SAP. The euphoria among the populace generated by the overthrow of the Kaunda regime enabled the new Chiluba Government to embark on full-scale implementation of SAP in terms of a wide array of stabilization, adjustment and transition policies without encountering any major public dissent. By the end of the last century, the Zambian economy underwent a major face change from a predominantly monopolistic system based on centralized controls and public ownership to a market-oriented, liberalized, privatized and competitive system.

The sustained implementation of SAP, however, did not bring to the country the expected benefits in terms of sustained growth and human development. Average growth rate over more than a decade was close to nil and the human condition distinctly deteriorated in terms of practically every standard indicator. In particular, the money-metric incidence of poverty rose from 60% in 1980 to 73% in 1998. One telling statistic in this regard is the value of the Human Development Index, HDI. Zambia holds the unenviable record of being the only country whose HDI value at the end of the millennium was lower than what it was in 1975.

This brought in the realization not only within Zambia but also among Zambia’s cooperating partners, notably the World Bank and the IMF, which have been among the main advocates of SAP, that there was need for a fresh approach to the development agenda.

To be fair, one cannot lay the blame for Zambia’s economic malaise entirely on SAP. Indeed, the problem may not even have been with the logic of SAP policies, but on several other factors: Wrong assumptions about external factors; Wrong pace and sequencing of policy implementation; and most importantly, lack of commitment to development. The persistent allegations of corruption and the recent revelations of the siphoning of vast amounts of development resources into personal accounts by a handful of rapacious leaders amidst appalling deprivation suffered by the majority of Zambians bear testimony to the fact that Zambia’s problems are not just economic but moral and ethical.

All the same, notwithstanding the above factors, SAP cannot be wholly exonerated. The fundamental ideology of SAP and its implementation, especially at the early stages, stressed stabilization and macroeconomic balance without paying adequate attention to the human

condition especially of the poor. This resulted in an evaluation of SAP policies based largely on macroeconomic outcomes rather than on more ultimate outcomes in terms of poverty reduction and human development. The dilemma was clearly seen when, on more than one occasion during the nineties, the World Bank certified that Zambia was doing very well and the civil society retorted: When they say that Zambia is doing very well, who is Zambia? The lack of congruence between macroeconomic gains and people's living conditions obviously provoked such rejoinders. It was a reminder of a graphic statement in the UNDP 1996 Human Development Report: It is good to balance the budget but "one cannot balance the budget by unbalancing people's lives".

The above situation in post-SAP periods was not unique to Zambia. There was a more general realization that SAP was inadequate to address the issue of widespread poverty that characterized not only Zambia but also most of the developing world, especially countries of sub-Saharan Africa. SAP distinctly lacked a pro-poor bias. It embodied a clinical rather than a human approach to the rectification of economic imbalances and economic stagnation.

Apart from SAP not having a pro-poor bias, it was also seen to lack ownership by Zambians. SAP was largely perceived to be an imposition by the IMF and the World Bank. Clearly, no policies can succeed solely on the basis of agreements signed between (often allegedly coerced) governments and the multilateral institutions. Effective implementation of policies requires the consent and cooperation at all levels down to the grassroots. This can happen only when there is national ownership of the development agenda.

In a country like Zambia where the large majority are poor, national ownership would require two things: (i) The core of the development agenda must shift from mainly technical objectives such as the realization of macroeconomic balances to those of poverty alleviation and reduction to which the majority can more easily and readily relate; (ii) The development agenda must not be prepared solely by the technocrats within Government in collaboration with other technocrats from the World Bank and the IMF, as has normally been the case with the Economic and Financial Policy Framework Papers (PFPs) associated with SAP. It must be prepared through a wider consultation with all the major stakeholders in the country.

It is in recognition of the above two imperatives that in September 1999, the IMF and the World Bank endorsed a new framework for poverty reduction. Developing countries were to prepare nationally owned Poverty Reduction Strategy Papers (PRSPs) before they could access concessional finance, including debt relief.

Zambia's poverty reduction initiatives prior to the PRSP

Zambia was one of the participants at the World Conference on Social Development held in Copenhagen in March 1995. One of the main resolutions of this conference was that every country must set itself a time-bound target for poverty reduction and institute measures for the attainment of that target. In keeping with this resolution, the former President of Zambia announced in 1997 that poverty levels in Zambia must be reduced from the then prevailing level of 70% to 50% by 2004.

In November 1997, the Zambian Government appointed the Ministry of Community Development and Social Services (MCDSS) to: (a) Serve as a focal point for all poverty-related programmes in the country; (b) Coordinate all poverty-related interventions in the country; and

(c) Spearhead the preparation of a comprehensive, coherent National Poverty Reduction Action Plan (NPRAP).

With support of the UNDP, MCDSS undertook the tasks of preparing a National Poverty Reduction Strategic Framework (NPRSF) and the NPRAP. The NPRSF was prepared in May 1998 and endorsed by the Government. Further, following consultations with key stakeholders including civil society and the donors, the Government presented the NPRSF at the Consultative Group meeting in Paris in May 1998.

The NPRSF was translated into the NPRAP whose objective was to provide a programme of action. The draft NPRAP was presented at a national Consensus Building workshop in November 1998. Refinements were then made to the draft and the Cabinet readied the revised NPRAP in January 2000 for approval.

The above process, however, got overwhelmed when the IMF announced the replacement of its Enhanced Structural Adjustment Facility (ESAF) by the new Poverty Reduction and Growth Facility (PRGF). As has already been stated, it now became a requirement for every developing country to prepare a PRSP before it could access the new concessional borrowing facilities, including debt relief.

Zambia too embarked on the preparation of the PRSP. Although it was initially stated that the NPRAP would provide a reference point for the PRSP preparation, subsequent events showed that the process was started anew.¹ The official PRSP document, however, acknowledges the NPRAP and states that a lot has been drawn from it, especially in the social sectors and the cross-cutting issues and that the main addition has been the emphasis on stimulating higher economic growth. The Ministry of Finance and Economic Development (MOFED) was now to be the overall coordinator for the PRSP in place of the MCDSS.

Institutional developments related to the PRSP

Initially, the PRSP Management Structure was to consist of:

- (a) A PRSP Steering Committee consisting of ministers of social and economic sectors;
- (b) A PRSP Technical committee consisting of permanent secretaries (PS), with the PS of MOFED and MCDSS as co-chairs; and
- (c) PRSP Focal Points: these were persons from relevant ministries such as education, health, agriculture, etc. who would facilitate the preparation and implementation of the PRSP.

There would also be a Technical Secretariat consisting of officials from MOFED, MCDSS and Bank of Zambia (BoZ) and based in MOFED. The Secretariat was to be the main functional unit of the PRSP and would provide logistics and documentation and coordinate the activities of the Technical Committee.

¹ It is not clear why the NPRAP effort was so aborted. Since this document was already there, it could have been used as a draft PRSP and its finalization through a wider consultation process could have been achieved in a much shorter time, say six months. This was what was done in Uganda where the indigenously formulated National Poverty Eradication Action Plan was transformed into the PRSP.

In effect, however, the Steering Committee and the Technical Committee never came into operation. This was probably due to the urgency and the pressure to have an Interim PRSP (IPRSP) ready as quickly as possible. The Secretariat was *de facto* in charge of the formulation of the PRSP. Focal points came in the form of mainly Directors of Planning in the various relevant ministries in addition to chairpersons of the Working Groups that were formed.

In order to enable Zambia access debt relief under HIPC by reaching the so-called Decision Point, an IPRSP was expeditiously prepared with virtually no stakeholder consultation. The IPRSP was approved by the IMF and the World Bank and Zambia reached the Decision Point in December 2000.

The PRSP process was officially launched at a stakeholders' conference on 28 – 30 June 2000. The final draft of the PRSP was approved by the Cabinet in May 2002 and subsequently by the Board of the IMF and the World Bank. The PRSP was officially launched in the first week of July 2002. It was also one of the major agenda items for discussion at the 13th Consultative Group (CG) Meeting for Zambia held in Lusaka and Livingstone on July 7 – 11, 2002. Details of the PRSP formulation process are provided in a later section of this paper.

Poverty reduction is essentially a long-term process that requires planning. In the wake of this realization, planning has once again been brought to the fore in terms of institutional reorganization. In 1991, when the country moved towards economic liberalization and adopted a market-oriented approach, planning was felt to be unnecessary and the long-existing National Commission for Development Planning (NCDP) was abolished. The Ministry of Finance was changed to Ministry of Finance and Economic Development.

Planning, however, has been re-established and towards the end of 2001, MOFED was changed to Ministry of Finance and National Planning (MFNP). A new department, Planning and Economic Management Department (PEMD) was created in January 2002 in order to coordinate the national strategic planning process. In here, requiring special mention is the creation of a special section within PEMD known as the Strategic and Operational Planning Unit (SOPU). SOPU will specifically focus on planning, implementing and monitoring the PRSP, the Transitional National Development Plan (TNDP) and thereafter the Five-year National Development Plans (FNDPs).

Furthermore, the hierarchy of the planning process is envisaged as follows. A National Long-term Development Vision, Vision 2025, is being developed to guide the medium-term strategic plans. The umbrella objective of the Vision is to reduce poverty. The medium-term plans such as the PRSP, TNDP and FNDPs will be operationalized through the annual budgets.

Development planning was reintroduced because of a number of shortcomings that were perceived after the abolition of the NCDP. These are:

- No medium term programme within which to lay down public investment priorities for implementation;
- No planning framework that could serve as a basis for cooperation with donors;
- No organ to oversee, initiate and coordinate cross-cutting national programmes among ministries;
- No organ to coordinate and monitor plans at the provincial and district levels and link them with priorities at the national level;

- A private sector that was too slow to undertake some of the market-related functions, necessitating Government interventions, which could only be well articulated within a planning framework; and
- The budgeting process, which took centre-stage, was done with no clear reference to medium term goals, plans or long-term vision.

A confidential draft of the Transitional National Development Plan (TNDP) for the period 2002 – 2005 is ready. The TNDP is a comprehensive document that subsumes the PRSP. Additionally, it also covers those sectors that are not adequately covered in the PRSP. These are: Judiciary, Law and Order; Foreign Relations; Defense and Security; Policy-Making; Science and Technology; Information Services; Population and Development; Regional Development; and Local Government, Housing and Urban Development. The starting year of the TNDP has been kept at 2002 in order to allow full coverage of the PRSP programmes whose time frame is from January 2002 to December 2004. But the TNDP's terminal year has been extended to 2005 in order to enable the smooth dovetailing of the subsequent five-year National Development Plans, which are scheduled to begin in 2006.

In order to achieve a realistic estimate of the resources for the PRSP, TNDP and the FNDPs, it needs to be embedded in a Medium Term Expenditure Framework (MTEF). But since the aim is to have the MTEF correspond to FNDP, the TNDP has been based on an Interim MTEF (I-MTEF) with forecasts based on statements of the medium term macroeconomic fiscal and foreign assistance policy objectives to be achieved. The full-fledged MTEF will be formulated when the full-fledged FNDP will be initiated in 2006.

The content of the PRSP

Zambia's PRSP is for the period 2002 to 2004.

The PRSP document consists of 17 chapters. The first four chapters deal with the Macroeconomic Situation, Poverty Profile, Governance Issues and National Goals and Objectives of the PRSP. The next four chapters deal with the economic sectors of Agriculture, Industry, Tourism and Mining. These chapters are followed by chapters on the two key social sectors - Education and Health. Then follow three chapters dealing with infrastructure development: Water and Sanitation, Energy, and Transport, Communication & Roads. The next chapter, Chapter 15 discusses the cross-cutting issues of HIV/AIDS, Gender and Environment. The last two chapters are on the PRSP Implementation Mechanisms and Structures and on Monitoring and Evaluation.

The text of the PRSP is followed by three Appendices. Appendix 1 discusses the Participatory Process in the PRSP. Appendix 2 provides the log frames containing the Objectives, Actions and Costing. Appendix 3 describes the Objectively Verifiable Indicators.

The content in the above chapters revolves around three main themes: the economic theme, the social theme and the cross-cutting theme. These themes are related to two main approaches to achieve the overall goal of poverty reduction. The first approach is to generate sustained economic growth and employment. Agricultural development is regarded as the main engine of growth (since it can provide the best opportunities for enhancing the livelihoods of the poor). Agriculture is to be complemented by other sectors that are considered to have high growth-stimulating potential, namely, Tourism, Industry, Mining and Energy. The issues dealing with the growth of the economy are termed the economic theme of the PRSP.

The high levels of poverty in Zambia, however, cannot be brought down solely by the trickle-down effects from growth. Hence, there is also need to adopt a second approach that provides for complementary measures that directly target the poor and shield them against the adverse impacts of economic reforms and other internal and external factors. The PRSP, therefore, also stresses the importance of basic education, basic health and social safety nets such as the Public Welfare Assistance Schemes (PWAS), Social Recovery Fund, Project Urban Self Help (PUSH), Food for Work Programme and entrepreneurial development and training for the retrenched employees. These areas constitute the social theme of the PRSP.

In addition to the above, there are also issues that impact on both the growth and the direct interventionist measures. These are the cross-cutting themes – HIV/AIDS, gender and environment.

The PRSP document recognizes that Zambia's development is constrained by a tripod of barriers that are mutually reinforcing namely high levels of poverty, high debt burden and the high incidence of HIV/AIDS. It therefore stresses the need to complement efforts at poverty reduction with efforts to address the problems of debt and HIV/AIDS.

We shall now focus on some of the specific aspects of the content of the PRSP document.

Poverty diagnostics

Poverty in the document is conceived as a multi-dimensional phenomenon. It therefore considers not only income poverty but also human poverty that encompass deprivation in health and nutrition, knowledge and security. Poverty in Zambia in respect of virtually all the major dimensions is shown to be on a rising trend. The document identifies who the poor are (small-scale farmers, those living in large households, female-headed households, children) and where they live (rural areas, provinces off the main line of rail, and areas removed from national and provincial capitals).

The main barriers to moving out of poverty are lack of economic growth, high inequality, the debt burden, excessive external dependence, unsatisfactory prioritization of resources, and inadequate social safety nets and HIV/AIDS.

The Zambian PRSP undoubtedly has a very comprehensive coverage of the poverty situation in the country. This has been enabled by a considerable amount of data that have been generated by several national surveys conducted by the Central Statistical Office (CSO), participatory and beneficiary assessment surveys conducted by institutions such as the Poverty Assessment Group (e.g. Milimo, Shilito and Brock, 2002) and several analytical studies done by institutions and individual researchers (e.g. Miti *et al.*, 1999, Seshamani, Ed., 1999, UNDP 1997, World Bank 1994).

Over the decade of the Nineteen Nineties, the CSO conducted the Social Dimensions of Adjustment Priority Survey I in 1991, Priority Survey II in 1993, the Living Conditions Monitoring Survey in 1996 and in 1998. It also published the Demographic and Health Survey in 1992 and in 1996 and a Household Budget Survey of 1993/4.

The poverty analysis in the PRSP uses the data from the above sources. The Poverty chapter has ten tables in all. They provide:

- Trends in the overall and extreme poverty in Zambia, separately in rural and urban areas over the period 1991 – 1998;
- Changes in selected poverty indicators (including non-money metric indicators) between 1996 and 1998;
- The percentage change in the incidence of overall and extreme poverty during 1996 – 1998 for different socioeconomic strata;
- The incidence of poverty in male- and female-headed households;
- The overall and extreme poverty situation as well as the distribution of the poor in the nine provinces of Zambia;
- The five highest ranking districts in Zambia on some major components of poverty such as child stunting, lack of education, lack of access to safe water and sanitation, and the incidence of HIV/AIDS;
- The inadequacy of social safety nets; and
- Perceptions by the poor of what constitutes a ‘good life’.

The poverty analysis thus makes good use of both the quantitative and qualitative data, covers both monetary and human poverty and disaggregates the poverty situation by socioeconomic group, gender and region.

The main barriers to moving out of poverty are: lack of economic growth, high inequality, the debt burden, excessive external dependence, unsatisfactory prioritization of resources, inadequate social safety nets and HIV/AIDS.

Among the many causes of poverty stated above, the document singles out lack of sustained levels of positive economic growth as the foremost cause. Lack of sustained growth fails to generate sufficient domestic resources through savings and taxation and thereby makes economic self-reliance a pipe dream. The Zambian economy has failed to achieve sustained economic growth despite the implementation of comprehensive economic reforms over a decade. In the subsequent chapter in the PRSP, the overall objectives and strategies are discussed from this perspective.

However, despite the relative abundance of data and analysis in Zambia compared to many other countries, it is felt that there is still room for deepening the analysis between poverty and policy. The IMF and the World Bank are of the opinion that there is still much that needs to be understood about policies that promote growth and poverty reduction, as well as the distributional impact of public expenditure. They suggest that the newly formed Poverty Reduction and Analysis Unit set up in the MFNP must ensure that better use is made of existing studies, identify the gaps in knowledge that still need to be filled, and seek donor support for capacity building where appropriate. In this regard, the possibility of conducting a Poverty and Social Impact Analysis has been discussed.

The following box, **Box 1** provides an illustration of the kind of further analysis that could be done on poverty diagnostics in Zambia.

Box 1: More information needs for more analysis

Despite a lot of poverty analysis that has been done in recent years, there are still some important aspects on which information is relatively scant. Analyses of these aspects of poverty would be very useful but would also require more data. Some of these are explained briefly below.

Hidden deprivation: One aspect is *intra-household* distribution of poverty. A household may not be deemed to be poor in terms of its income and yet some members within the household may experience poverty of some form or another. For example, a girl child or an orphan in such a household may not be sent to school for reasons other than income deficiency. It would be useful to gather information on such “*hidden deprivation*” that exists within households.

Cumulative deprivation: Another aspect that would be useful to analyze from a strategic perspective is “*cumulative deprivation*”. Deprivation suffered by individuals or households even in one form or another would be a manifestation of poverty. For example, a child that is undernourished, a child that is not sent to school or a child that does not have a home suffers from poverty. But an undernourished street child that has no benefit of formal education would suffer from more extreme poverty due to the combination of several forms of poverty that the child experiences. Similarly, an adult who is illiterate, unemployed and who is HIV positive would undergo far greater suffering than an adult who experiences only one of these forms of deprivation.

Poverty transitions: Published statistics tell us that in 1991 the incidence of poverty in Zambia in terms of the headcount index was 69.7%, in 1996 it fell to 69.2%, and in 1998 it rose again to 72.9%. But these statistics do not mean that the same individuals or households that were poor in 1991 were poor in 1996 or 1998. During this period, some of these individuals/households may have overcome poverty; some may have remained poor and some new individuals/households who were not poor before may have subsequently entered poverty. In other words, the people who were poor in 1991, 1996 and 1998 may not have been the same individuals.

The above raises the questions: at any given time, how likely are people to enter poverty? what is the likelihood of their remaining in poverty?; and what are their chances of getting out of poverty?

Source: Phiri & Seshamani, 2001

All in all, however, the poverty chapter of the PRSP constitutes one of the document's strengths.

Macroeconomic framework and financing plan

The chapter delineating the macroeconomic framework and financing plan is another good chapter in the PRSP. The document contains a detailed expose of the macroeconomic framework that would be compatible with the goal of systematic poverty reduction. It sets out policies aimed at achieving economic growth. However, it recognizes that in order for growth to translate into poverty reduction, it has to be broad-based and contribute to a reduction in the high levels of inequality that characterize income and asset distribution in Zambia. As has been stated earlier on, high inequality has been one of the principal barriers to poverty reduction. Hence, the document recognizes the importance of *growth with redistribution* as the appropriate strategy.

The document does not propose any radical alteration of the macroeconomic regime that has been in place over the past several years. Stabilization continues to be one of the prime objectives and the basic policies of SAP are still valid for the realization of this objective. However, what has been suggested is a more cautious implementation of the policies.²

Estimates of available financial resources have been made based on projected domestic resources (assuming an average annual growth rate of 4.1% during the PRSP period) and projected external resources. The estimates are modest in relation to requirements. The original costing of the PRSP amounted to \$4 billion, but this figure had to be brought down to \$1.2 billion. Consequently, a great deal of the originally submitted programmes had to be revised. The size of some of the programmes has been reduced and some programmes postponed to later PRSPs. Only the core priorities that could fit within the budget ceiling of \$1.2 billion have been retained. The sector shares in the overall PRSP budget are shown in the table below.

² It is interesting to note that during one of the meetings of the Macroeconomic Working Group in which government, civil society and donor representatives were present, there was probably some nervous anticipation on the part of the government and the multilateral institutions that civil society may suggest abandoning several of the policies that have been in place. When this did not happen, they even expressed surprise. Civil society was quick to point out that they were not there to oppose the World Bank or any other institution but only to advocate for policies that are good for Zambia. If the good policies happen to be those approved by the World Bank, they had no problem!

Table: Sector shares of the PRSP budget, 2002 - 2004

Sector	Cost (\$)	Share of total budget (%)
Roads	229,000,000	19.1
Health	200,150,000	16.7
Agriculture	173,000,000	14.4
Education	147,500,000	12.3
Energy	114,000,000	9.5
HIV/AIDS	94,600,000	7.9
Tourism	58,700,000	4.9
Water and Sanitation	42,400,000	3.5
Macroeconomic Reforms/Institutions	38,200,000	3.2
Governance	27,000,000	2.3
Mining	26,600,000	2.2
Transport	22,000,000	1.8
Industry	12,500,000	1.0
Social Safety Net	9,000,000	0.8
Environment	3,000,000	0.25
Monitoring and Evaluation/Statistics	1,500,000	0.12
Gender	976,000	0.1
		0.0

Source: Zambia Poverty Reduction Strategy Paper 2002 – 2004, p.130.

As can be seen from the above table, Roads, Health, Agriculture and Education take nearly two-thirds of the budget. If Energy, HIV/AIDS and Tourism are added, then the percentage adds up to 85.

The above allocations quite closely correlate with the priorities specified in the PRSP, although there may not be unanimity of view in this respect.³ Some of the selected policies on the macroeconomic, institutional and structural fronts that are in keeping with PRSP objectives are the following:

- An increase in capital expenditures from 11.9% of GDP in 2000 to 12.7% in 2004;
- Elimination of fiscal deficit of 7.3% of GDP in 2002 to achieve balanced budgets in 2003 and 2004;
- Lowering of interest rates;
- Avoidance of borrowing by the Government from the central bank;
- Improving fiscal management through the implementation of the Public Service Reform Programme;
- Strengthening structural reforms in the energy sector with a view to improving competitiveness;
- Extension of the Activity Based Budgeting (ABB) to all Government ministries and the development of the Integrated Financial Management Information System (IFMIS);

³ The general feeling is that the shares of Water and Sanitation, social safety nets and the cross-cutting themes are inadequate. We stress this again in the sub-sections that follow.

- A more direct participatory input by Parliament in budget preparation to avoid the current dominance of the Ministry of Finance in the budgeting process;
- Guarantee social service spending and capital expenditure against expenditure compression;
- Remove the uncertainty introduced by the cash budget between authorized expenditure and actual releases and strengthen the legislature to hold the executive to account for discrepancies between authorized and capital expenditures;
- Disburse funds directly to local government authorities in line with the policy of decentralization;
- Expunge District Administrators from the budget;
- Strengthen fiscal compliance to enable the tax/GDP ratio to reach 20%;
- Broaden tax bands to make taxation progressive; and
- Create a Poverty Action Fund for direct support to the poorest and most vulnerable in society.

The above list, though not exhaustive, still comprises a long array of measures that, when implemented, would bring about major departures from the current practices of Government. But considerable commitment and capacity would be required to implement these measures.

The sources of finance envisaged for the PRSP are:

- Tax revenues projected to average 18.5% of GDP during the PRSP period;
- Non-tax revenues projected at 0.4% of GDP;
- External financial assistance in the form of programme and project grants projected to average 5.3% of GDP;
- Deficit financing of 3% of GDP.

The overall fiscal balance is expected to decline from -7.3% of GDP in 2002 to -5.7% of GDP in 2004. The envisaged fiscal outturn would leave a financing gap of 2.3% and 1.6% of GDP (\$95 million and \$72 million) in 2003 and 2004. This will need to be filled mainly from external sources.

In here, it is pertinent to point out that the PRSP document frankly admits that most of the existing revenue during the PRSP period would be committed to running government with hardly any room for spending on PRSP programmes beyond those that are already running. This is a key reason why donor funding is paramount.

Another important aspect that has been spelt out in the PRSP is the need to reorient the limited resources among sectors in a manner that would be in consonance with PRSP priorities especially in respect of capital projects. It is possible some of the existing projects may not be in perfect match with PRSP planned expenditures. In such cases, resources may have to be redirected from ongoing to prioritized PRSP projects. Also, since funds in the past may have been allocated without weighing priorities across sectors, some sectors may have been 'over-funded' while others may have been 'under-funded'. These distortions would have to be rectified.

Even though the PRSP document is based on relatively modest estimates of resources, there are still some risks that even these resources may not be forthcoming. Foremost among them is the crisis in the mining sector brought about by the withdrawal by Anglo American Corporation from the mining industry. In view of this, the assumption that the current level of

copper production during 2002 will be maintained and that there will be only a small decline thereafter may not be valid. And if the situation sharply deteriorates, it could adverse impact on growth, employment and poverty reduction.

The great dependence on donors to finance almost all of the PRSP is another major risk. However, if the current scenario is anything to go by, this may not be such a serious problem as in the past. More will be said on this in the section dealing with donor policies and resources.

The final major constraint is the lack of capacity. This in fact is a cross-cutting constraint that affects all sectors and ministries within Government, some more than others. Again, more discussion on this issue will follow in a later section.

Poverty focus of strategies and programmes

The PRSP document recognizes that “the main challenge for poverty reduction is how best to create and expand the poor’s opportunities to earn a decent income in a sustainable way so that they are able to meet the basic necessities of life”. Since the poor are concentrated in the rural areas and agriculture is their main source of livelihood, the PRSP accords the highest priority to agriculture. And since the urban poor are engaged in the informal sector, measures are again felt necessary to support them.

The document also recognizes that the main productive asset of the poor in Zambia is land and that 97% of the farmers in Zambia have no title to the land that they cultivate. Their productivity is also severely undermined by lack of assets such as oxen, storage facilities and mechanized farm implements. Hence these are included in the list of support.

For the urban poor in the informal sector, it is envisaged that they need to be provided with credit, and market and technological information.

Substantial resources have also been earmarked for health and education. The stress is on basic education, and basic health care that involves basic drugs and disease prevention against common ailments like malaria, diarrhea, and others that afflict the poor more.

Mention must be made of the equity component of the education programme. Among the equity activities are a more streamlined and better-coordinated Programme for the Advancement of Girls’ Education (PAGE), abolition of all fees and school uniforms at the basic level and support to community schools.

The PRSP states that it also plans to reinforce poverty-focused social safety nets like the Public Welfare Assistance Schemes (PWAS), the Social Recovery Fund; Project Urban Self Help (PUSH); the Food-for-Work Programme; and entrepreneurial development and training of the retrenched.

No doubt, the PRSP emphasizes the right things. But it is not sufficiently clear as to how the measures are going to be implemented in order to ensure a pro-poor focus. For example, under agriculture, the stated action plan is to increase the volume of credit at affordable rates. But the amount allocated is not stated and nor is there any indicator to monitor credit allocation.

Again, while basic education and basic health care are emphasized, what is the guarantee that it is the poor who will benefit from it? The IMF and the World Bank for instance

suggest that primary enrolment rates in the lower income quintiles could be used as an indicator in addition to overall enrollment rates.

There is very little provision for social safety nets. Only \$9 million (0.8% of the total PRSP budget) has been provided over the three-year period, averaging \$3 million per year. This is the sum that has been allocated in the annual budgets over the past several years. One would have thought that allocations for social safety nets would have been significantly enhanced in a Poverty Reduction Strategy document. There is certainly room for a more comprehensive social safety net provision than is presently the case.

In sum, there is scope to improve the poverty focus on the PRSP in terms of resource allocations, action plans and indicators in the various sectors. Indeed, even at an early stage of the PRSP preparation, civil society had pointed out the need for ensuring this especially in view of resource shortage.⁴

Integration of cross-cutting themes

The process of PRSP preparation was initiated by the Government through the formation of 8 Working Groups. These were Macroeconomic, Governance, Industry, Agriculture, Tourism, Mining, Health and Education. These Working Groups consisted of representatives from all key stakeholder groups, various bodies within the Government, civil society (NGOs, private sector, academia, the church, professional associations, and the poor themselves from various parts of the country) and the donors. The 8 Working Groups worked over a period of six months to produce eight corresponding drafts.

It may be noted that there were no working groups formed on such cross-cutting issues as HIV/AIDS and gender. It is only subsequently, perhaps in good part by way of accommodating the pressures from civil society, that the Government engaged specialized institutions to prepare papers on HIV/AIDS, gender, environment, transport, communications and roads, energy, and water and sanitation. Of these, HIV/AIDS, gender and environment were treated as cross-cutting issues while the remaining were subsumed under the umbrella of infrastructure development.

Two weaknesses have emerged as a result of the above. *One*, there was no time for adequate consultation and discussion on the specialized papers. There was no major involvement of the stakeholders in the preparation of the drafts as was the case with the other 8 themes/sectors. As a result, they have, to some extent, suffered in their treatment as well as importance. Some of the initial drafts were poorly formulated, lacked coherence and failed to put forward a rational set of pro-poor interventions. Although the final versions of these papers were considerably improved, the general feeling was that they could still be improved upon.

There is scope for a fuller integration of HIV/AIDS, gender and environment to cover all sectors as well as provide for a better understanding of the linkage between the cross-cutting themes as well. For example, the section on Gender makes no reference at all to water and sanitation. This is in spite of the well-known fact that there are significant time and energy costs imposed on women by the long distances that have often to be covered in fetching water. Likewise, the chapter on Water and Sanitation makes no explicit articulation of gender concerns

⁴ In a paper presented on behalf of the civil society, Seshamani (2000b) suggested, among other things, that: "The appropriate strategy for an effective and equitable PRSP, then, should be to focus attention *primarily* on those who are most extremely poor and enable them to move progressively to less extreme levels of poverty. And as the resource situation improves, one can also address the less poor groups".

in its objectives and policy actions. There is thus a need for reviewing the coverage of the cross-cutting themes in the existing programmes and developing a more detailed agenda for them.

The financial allocations may also need to be reviewed. Of the various cross-cutting themes, only HIV/AIDS has a good share of the PRSP budget (7.9%). But even here, it has to be noted that the allocation for HIV/AIDS in absolute terms is \$95 million against a requirement of \$500 million. Other shares in the PRSP budget are: Environment: 0.25%; Gender: 0.1%; Water and Sanitation: 3.5%.

Two, there is a feeling in some quarters that a thematic area like water and sanitation has been accorded a wrong place in the PRSP scheme of things. Water and sanitation does not find mention under any of the three major themes mentioned earlier, namely, economic, social or cross-cutting. By treating water and sanitation as a component of infrastructure development, the PRSP has robbed it of its significance as a social good just like education and health. The following box, **Box 2** provides an excerpt from a case study of the Water and Sanitation sector in relation to the PRSP.

Box 2: Water and Sanitation in Zambia's PRSP

The Water and Sanitation chapter of the PRSP has sought to encapsulate the essential substances of all the received documents to date relating to water and sanitation. In so doing, it has perhaps lost sight of some important aspects. Foremost is the significance of water and sanitation as a social good and not just an economic good. In its garb of a social good, Water and Sanitation is a principal component of human development. By corollary, lack of access to Water and Sanitation services (WSS) constitutes a principal component of human poverty. Indeed, the UNDP's Human Poverty Index includes the percentage of population without access to safe water as one of the main components of deprivation in a decent standard of living.

By treating Water and Sanitation as a component of infrastructure development, the PRSP has perhaps failed to accord due importance to WSS as a social good. This is reflected in the statement of the PRSP objectives for the Water and Sanitation sector wherein the provision of WSS is only of six main objectives, all the others relating to infrastructure development and management. This is also in consequence reflected in the policy actions and in the lower allocation to WSS provision and in the listing of indicators for monitoring progress in WSS delivery. Most of the indicators relate to Water Resource Management and institutional strengthening which are no doubt important; but this should not be achieved at the expense of WSS delivery. Inadequate store has been set by gender differentiation that is so important in WSS delivery. The positive social impacts of expansion in WSS on health through curtailment of the incidence of water-borne diseases and on the expenditure of time and energy resources of women find no place in impact monitoring for the current PRSP.

Future PRSPs need to be modified to overcome the above weaknesses. In particular, a better share of the total PRSP budget would need to be allocated to the Water and Sanitation sector and a better share of the sector budget would need to be allocated to WSS delivery. More objectively verifiable indicators with specific quantitative targets need to be developed especially in relation to WSS delivery.

The PRSP process

Zambia has proved to be one of the countries where the participation of the civil society in the PRSP process has been exemplary. Indeed, Zambia has now come to be regarded as embodying best practice in stakeholder participation in national affairs that is worthy of emulation by others.

Soon after, civil society organizations were invited by the Government through an *Aide Memoire* sent to them (that was also published in the media) in July 2000 to participate in the preparation of the PRSP, these organizations decided to form themselves into a network with a view to making more effective contributions. Thus the Civil Society for Poverty Reduction (CSPR) was formed. The CSPR has a Steering Committee comprising 22 civil society organizations (CSOs). The Steering Committee has appointed a permanent sub-committee, the CSPR Task Force, for the purpose of planning and highlighting major issues.

The CSPR's involvement in the PRSP has been at two levels: *one*, it had its representatives in each of the Government's Working Groups and in the Government's teams that undertook provincial consultations in May 2001. *Two*, it held its own consultative group meeting and provincial hearings. It was, however, made clear that the aim of the CSPR in doing this was not to duplicate or undermine the Government's PRSP process by introducing a similar parallel process. Rather its aim was to complement Government's process and strengthen it.

The key perception was that the Government's approach to the PRSP preparation in terms of its 8 areas was not adequate to deal with some of the major themes relating to poverty. Although a few of the themes were recognized by the Government as being cross-cutting, there

was misgiving that they may not be given their due significance. Also, the Government's approach was perceived to be largely sectoral rather than thematic. Accordingly, the CSPR identified 10 themes and formed a consultative group for each theme that would provide a forum for consultations among the concerned Civil Society Organizations (CSOs) on that theme. Each consultative group had a lead organization. The ten themes that were identified by the CSPR were: Governance; Industry, Employment and Sustainable Livelihoods; Agriculture and Food Security; Tourism; Macroeconomics; Mining; Health and HIV/AIDS; Gender; Education, Child and Youth; and Environment. It may be noted here that even the civil society's proposal of themes did not explicitly include some important areas, notably water and sanitation.

Position papers were prepared on each of these themes by facilitators appointed by the CSPR, they were discussed at a national forum and the final revised papers were put together in the form of a holistic document entitled "*Poverty Reduction Strategy Paper for Zambia: A Civil Society Perspective*". This report was launched in July 2001 and copies of the report were presented at the launch to the Minister of Finance and the PRSP Coordinator. This document represented civil society's systematic and substantive input to the Government's PRSP.

When the first draft of the Government's PRSP was prepared in September 2001, civil society prepared its response to the draft after discussing it at a national forum that had over 90 participants from CSOs from different parts of the country. In mid October 2001, Government held its National Summit on Poverty Reduction to review the draft PRSP. Civil Society representatives were provided an opportunity to give feedback at a plenary session. They then provided civil society's considered response to the draft.

When the consultative process started, there were feelings of doubt in several quarters as to how effective and meaningful the government-civil society interaction would be. Major disagreements between the two parties surfaced right at the beginning when civil society did not agree with the Government's approach to the PRSP in terms of a perceived overemphasis on economic growth as the main road to poverty reduction (with other direct interventionist measures such as social sector development being regarded only as feeder roads) and the adoption of a sectoral rather than a thematic approach. Also, the NPRAP which was based on wide stakeholder consultation and which the Government had said would form the basis for the PRSP, never got distributed. Instead, what was distributed was the Interim PRSP that had been rather quickly prepared on the basis of the Letter of Intent between the Government and the IMF. This added to the civil society's fears that the PRSP may turn out to be just another modified version of the IMF-World Bank-type programme. The formation of the CSPR and the declaration some months later, at a forum a CSPR representative stated that, if the Government did not incorporate civil society's views, the latter would reject the PRSP document, did not help matters.

However, much of the above misgivings waned as the consultative process progressed. What was originally feared could turn into a game of one-upmanship between the Government and civil society in fact turned out to be a process of learning and mature appreciation of each others' views. And whatever doubts may have remained with civil society were allayed when it discovered that the Government's draft PRSP incorporated its suggestions to an appreciable extent.⁵

⁵ At the subsequent 13th Consultative Group (CG) Meeting for Zambia held in Lusaka and Livingstone on 7 –11 July 2002, the Government even allotted a full day for presentations exclusively by civil society. This was an indication that the Government intended to continue with the national stakeholder consultation process beyond the PRSP preparation.

The above is not to imply that there are now no weaknesses in the civil society-Government interaction. Civil society still feels that its access to vital information and documents is limited.⁶ For example, the CSPR was not been able to get a copy of the second draft of the PRSP from the Government. Earlier on, it had also raised issues regarding inadequate information on the availability and use of HIPC resources. And in fact, at a Jubilee-Zambia Conference on 'Debt Relief Under HIPC' held on April 23, 2002, the Government was severely criticized for lack of transparency on HIPC resources and even alleged misuse of the resources.⁷

Civil Society also had no participation at the higher levels of PRSP preparation – its involvement in the Government PRSP process stopped with the first draft. It has had no representation at the higher Drafting Committee and the Technical Committee that received the final PRSP to prepare it for presentation to the Cabinet. As a result, there were fears that the final version of the PRSP could differ from the first draft which civil society had found to be largely satisfactory. Fortunately, however, this did not turn out to be the case. Again, civil society was not consulted before the final version of the PRSP was submitted to the IMF and the World Bank as was agreed earlier on. Such discontinuities in the consultative process could impair civil society's confidence in its partnership with the Government.

The need for forging further improved links between the Government and the civil society can be seen from the pronounced asymmetry in the perceptions of the two parties of each other's effectiveness in the PRSP process. This was brought out in a study published by KEPA-Zambia (2002). On the basis of a survey, the study found that 80% of the respondents from Government considered the effectiveness of civil society in the PRSP process to be high while only 44% of the respondents from civil society considered Government's participation in the process to be highly effective. Civil society felt that the Government did not do a good job of stakeholder identification and of involvement of the beneficiaries at the grass roots. It was of the opinion that Government's effectiveness can be determined only at the stage of implementation and hence would need to be closely monitored at that stage.

However, both Government and civil society were highly in agreement on one point: that the PRSP process has strengthened consensus among civil society, Government and the beneficiaries on national poverty reduction goals and strategies.

But again, despite the enhanced level of cooperation, interaction and consensus-building between the Government and the civil society, mutual suspicions still abound. While civil society organizations have criticized Government on some of its so-called undemocratic stances

⁶ An explanation provided for this by a senior Government official at one of the meetings of the CSPR Steering Committee was that he was not sure who were the right representatives of civil society since more than one group had approached him claiming to represent civil society and seeking information. This is a reflection of the fact that there is need for greater cooperation and harmonization within civil society in its interactions with Government.

⁷ In Zambia, a lot of information to which the public should have a legitimate right of access is often hard to obtain. Information tends to be shrouded in a culture of secrecy aided by citation of various laws, caveats such as state security and even a prevalent norm of corruption that requires seekers of information to pay for the same to civil servants who are the custodians of that information. Such secrecy, on the one hand, renders difficult a proper evaluation of policies and their impacts and, on the other hand, facilitates diversion of public funds from approved heads of expenditure to other areas including private accounts of high-placed individuals. Efforts are under way by some opposition Members of Parliament to have a Freedom of Information Act passed that would clear the hurdles to information access. But the going may not be easy even under the present New Deal Government.

and lack of transparency and accountability in the conduct of its fiscal operations, the Government too has levied similar charges against several civil society organizations.⁸

Given that capacities within both Government and civil society are limited, it would be highly beneficial to sustain the consultative process that would enable pooling of intellectual and professional resources from both sides. Further, the process should be extended to all major economic and development processes such as the preparation of the annual national budgets, the National Development Plans, Zambia's participation in NEPAD, etc.

An ideal consultative process, therefore, is one that is not simply episodic but a continuous process of engagement by the Government of civil society and all other stakeholders. Else, democratic participation will be limiting rather than encouraging due to an undue degree of control exercised by the Government. Consultation must be an interactive and iterative process of deliberation between the Government and the civil society. It is only then that major public policy decisions can be truly transparent and accountable.

In Zambia, there is a keen awareness that there can be a major difference between a *democratically elected government* and a *democratic government*. This is acknowledged in the Government's own document on Governance. To put it simply, a democratic government is one that gives what the people want and not force the people to accept what it gives. For this to happen, the government must only *steer* and not *row* the ship of policy. In other words, the government may suggest the basic priorities and the broad policy direction, but it should be for the country as a whole to determine/ endorse the correctness of the priorities and the specific articulation of policies.

The reason for the above is that correct decisions can be made only on the basis of knowledge which is of two types: technical or *expert* knowledge acquired through third party data collection and analysis and *experiential* knowledge acquired by individuals through personal

⁸ In his Inauguration Address in February 2002, the newly elected Republican President stated: "We would like to dispel the concerns we encountered as we went around the country that:

- A) Some NGOs do not hold elections for their executives. They are 'bamuya-ya' – in other words, continue in perpetuity on posts as 'personal to holder' and that there is lack of good governance in the management of their affairs.
- B) Some spend more money on trips abroad or seminars and workshops than they actually spend on projects that benefit the people with actually nothing to show on the ground.
- C) Some are said to have executives who buy themselves luxury cars, live in mansions in town, merely send false reports to their sponsors abroad, portraying what a good job they are doing for Zambia and Zambians, and yet nothing is really going on. When the sponsors come to Zambia they put them in an expensive hotel, they take them to a project or programme run by their spouses, relatives or friends. They write a short report on the computer and the sponsor goes back home satisfied on how the money is being spent!

.....
Let us work together. We should coordinate our efforts to achieve maximum results. If we do not, we are bound to clash".

In reference to the above statement of the Zambian President, the Director of a prominent NGO, in his address to Members of Parliament a few days later, said: "Civil society – made up largely of the non-governmental organizations, NGOs, recently derided, very inaccurately and unfairly in my opinion, in a prominent national address given a few days ago – has done very keen work on analyzing the poverty situation in the country and coming up with realistic priorities that must be met. I urge you to familiarize yourselves with this work".

At the 13th CG meeting in July 2002, one high ranking Government official again questioned the credibility and democratic legitimacy of leaders in some civil society organizations and this once again prompted a strong rejoinder from one of the civil society participants.

experience.⁹ In the context of knowledge regarding poverty and poverty reduction strategies, the civil service and the Government may have a lot of expert knowledge but not enough experiential knowledge; while civil society, grassroots communities and to some extent Members of Parliament (who are in constant touch with their constituencies) may have more experiential knowledge than expert knowledge. The pooling of both types of knowledge is necessary to make proper judgements.

The actual weights that should be attached to the two kinds of knowledge would of course depend on the perception of which knowledge is scarcer in a given country at any given time. In Zambia, over the past decade or more, there has been a fair build up of professionals with expert knowledge, but not enough effort has been made to glean the experiential knowledge of the poor themselves or of those who constantly work with the poor. Sporadic participatory situation analyses have been done but there is scope for a lot more work in this area. In the opinion of this writer at least, a little more weight therefore needs to be accorded to experiential knowledge in Zambia at this juncture. It is in this light that Government needs to see the role of civil society – not as a competitor or a detractor of its own democratically derived authority but as a contributor to the efficacy of its own decision making.

It is sometimes felt that too much involvement by civil society may undermine the legitimate powers of a democratically elected government. Such a feeling, in our view, would be legitimate only if the truly democratic content and performance of many of the so-called democratically elected governments was already adequate and satisfactory in the first place. In other words, if the democratically elected governments were indeed democratic governments in spirit, but as we have already stated, this is often not the case.

In sum, while the PRSP consultative process in Zambia has been very good and exemplary in comparison with many other countries, it still falls short of the ideal. For it to have been ideal, there should not have been the discontinuities in the process that we had described earlier. There should have been proper representation of the civil society at the stage of editing of the final draft. This would have enabled civil society to see clearly why, while many of its suggestions were included in the final document, what suggestions were excluded and why. How significant were these omissions? There should have also been a better and more spontaneous access to data and documents.

Public Finance aspects of PRSP

Zambia is currently preparing a long-term vision document Zambia Vision 2025 ('the Zambia we want by 2025) in collaboration with line ministries, the donor community and civil society. It will embody Zambian aspirations for 2025 and the options that can enable the country achieve them. This vision document should have been prepared even before the PRSP. However, it is now anticipated that future PRSPs will reflect this vision. The subsequent PRSPs will contain the medium term strategic framework that will help the country eventually reach its aspired position in 2025.

In order to plan, manage and track expenditures under the PRSP, a Medium Term Expenditure Framework is being currently developed in collaboration with line ministries, the donor community and civil society. There is also a three-year Public Investment Programme (PIP) that provides the medium term capital budget.

⁹ For a good elaboration on this, refer Susan Phillips (2002).

According to the Government, the PRSP, MTEF and the PIP will all be synchronized to roll over every three years in view of their inter-linkage. The annual national budget will be formulated on the basis of the PRSP, MTEF and PIP.

In the absence of the MTEF, it would not be easy to verify if expenditures reflect the objectives of the PRSP. Nor would it be easy to ensure that financial controlling officers do not commit resources to expenditures outside the PRSP objectives.

At the beginning of the 2002 fiscal year, the Government decided to publish information on a monthly basis on budgetary releases to the various sectors and departments. The publication was suspended after a couple of months but is expected to resume. However, making public information on budgetary releases can only be a first step in ensuring financial transparency. It is even more important to know where the money was spent, what commensurate physical outputs were achieved and what welfare outcomes ensued from it.

In this regard, an Integrated Financial Management and Information System (IFMIS) is also expected to be put in place. The IFMIS is to be seen not only as an accounting framework but also as a means of capturing the physical aspect of the expenditures. This has to be a core part of the expenditure tracking system. This would not only ensure enhanced transparency and certainty in financial disbursements but also ensure uniformity in the information relating to disbursement issues among all stakeholders. This would significantly reduce the scope for altering initial budgetary priorities as approved by Parliament on the basis of political considerations.¹⁰ And this in turn would also help minimize needless controversies about why certain ministries/ departments/programmes have been allocated more than others, especially during times of budgetary shortfalls.

When all the needed institutional mechanisms are put in place, one would hope that adequately detailed and disaggregated information would be published on a regular basis on financial disbursements and actual spending at the sector, provincial and district levels.

Realigning of donor policies and resources

For many years now, Zambia's development programmes have been heavily dependent on donor assistance. About 60% of the annual budgets in recent years have been anticipated to come through donor munificence – an anticipation that has more often been belied than borne out. The situation of high donor dependence will continue during the current PRSP period. Given that growth targets during the PRSP period are relatively modest and that there are major fiscal difficulties facing the country especially on account of the uncertainties in the mining sector, there can be no effective implementation of the PRSP programmes without significant donor support.

A breakdown of the estimated resource envelope does reveal that two-thirds of the projected capital expenditure during the 2002-2004 period is expected to come from donors. As the PRSP document states: "... it is donor financial assistance, most of which is for capital expenditure and is by tradition labeled capital expenditure anyway whether genuinely or not, that should finance the PRSP".

¹⁰ Almost every year for many years now, the priorities in the budget approved by Parliament at the beginning of the year have been altered by the supplementary estimates which have gone mainly to sectors such as defense, administration etc. and/or ministries headed by political heavyweights. These sectors have not necessarily been priority sectors from the perspective of development and poverty reduction.

Such excessive donor dependence has jeopardized development programmes in the past. Non-fulfillment of donor pledges or non-receipt of projected donor assistance on grounds of unfulfilled conditionalities have thrown macroeconomic targets in disarray. In 2001, for instance, the failure of the Paris Club creditors to provide the expected interim debt relief following Zambia's reaching the Decision Point under the Enhanced HIPC Initiative made the country's debt stock to rise from \$6.3 billion to \$7.3 billion instead of reducing it to \$5.9 billion as was expected earlier.

The interface between the Government and the donors for quite some time until recently has been characterized by mutual accusations. While donors have expressed dissatisfaction with the Government on grounds of various governance issues, the Government has charged the donors with "shifting the goal posts" in respect of conditionalities and even interfering with the sovereignty of the nation.

The situation has recently changed. The preparation of the PRSP through an exemplary process of consultation and participation; the promise by the newly elected New Deal Government to fight corruption head on; their policy declaration soon after assuming office to provide free education in keeping with the Millennium Development Goal of achieving universal primary education – all these have served to boost donor enthusiasm.¹¹ This is what has led to the donors pledging an unprecedented level of financial support at the end of the Consultative Group meeting in July 2002 with good prospects of those pledges being realized.

Practically all the main donors have shown interest in funding programmes that are critical to poverty reduction: good governance, basic education, health and HIV/AIDS, water and sanitation, gender, environment and natural resource management, rural development and food security.

Various bilateral donors have pledged to provide support to many of the areas with which they are traditionally associated. For example, Germany would continue to fund Water, Ireland Basic Education and Water, Norway Agriculture, US and Japan Rural Development, and so on.

However, a number of donors have seen the necessity to rethink their strategies and programmes of cooperation in the light of the PRSP. For instance, the Swedish Government has instructed the Swedish International Development Cooperation Agency, SIDA to start the process to elaborate a proposal for a new strategy for development cooperation. The instructions clearly indicate that the strategy must be based on the PRSP. Specifically in this respect, Sweden will be making HIV/AIDS a major theme in its development assistance to Zambia. It is also planning to support for the first time the agriculture programme integrating decentralized decision-making methods.

In a similar vein, USAID too is formulating a new country strategy based on wide consultations with the Government, private sector, other donors, civil society and other

¹¹ For example, the Norwegian delegate at the 13th CG meeting for Zambia stated: "Last year we conducted an assessment of the collaboration with all our partner countries. The background was a desire on our part to consolidate our programmes by reducing the very large portfolio of bilateral partners. Several criteria were used to select future partners. A commitment to good governance was a prerequisite as was a determination to put the fight against poverty at the top of the Government's agenda. In her annual address to Parliament on development issues, the Minister for International Development, Ms Hilde Johnson, included Zambia on our new list, with a particular reference to the new Government of Zambia's declared will to implement its programme".

stakeholders in order to ensure that the new programme will be responsive to the challenges of the PRSP. Such a consultative process is probably new for donors as well.

Even where some donors are satisfied that their programmes of cooperation with Zambia are already aligned with the priorities in the PRSP (e. g. Ireland, Norway), they are conducting internal mid-term reviews of their programmes in order to ensure that the poverty reduction focus is maintained.

However, since the PRSP has only been recently prepared, it will take at least a year before significant progress is made by the donors as well as the Government in re-prioritizing and targeting funds across sectors to reflect PRSP priorities.

There are also indications that the forms of development assistance will undergo a change. A number of donors are considering, albeit with a lot of circumspection, shifting from project oriented support to broader programme support. But the shift to a programme or budget support is not likely to be spontaneous but restrained by some conditionalities. Visible progress in economic and political governance will be the main yardstick here. Japan also believes that ownership is the essence of development assistance – ownership in the sense of projects generating capacities for their maintenance and self-management and self refund in grant aid schemes.

Worthy of particular mention here is Germany's reluctance to provide budgetary financing. It is skeptical about this approach. Germany prefers to follow two parallel paths: "first, closely observe the situation, e. g. indicators like transparency and household expenditure management; secondly, Germany supports joint financing programmes. Major types of joint financing programmes by Germany are:

- Basket funding of sector-wide approaches, e. g. in Mozambique;
- Co-financing of World Bank Poverty Reduction Support Credits (PRSCs), e.g. in Uganda.

Prerequisites for programme-oriented joint financing with other donors are, among others, good governance and capable executing agencies".¹²

It is clear from the above statement by Germany, as indeed from similar statements by other donor agencies, that good governance will continue to be the over-riding condition for assistance. One can understand the dilemma of the donor community in this regard. On the one hand, the recent revelations of massive corruption have startled donors no less than they have the other major stakeholders in the country's development process.¹³ On the other hand, it has also been heartening to note that the revelations have been brought out by the Government itself. Further, the new Government has also promised to adopt the policy of zero tolerance towards corruption and bring the corrupt individuals to book without fear or favor with a view to establishing a government of laws and not of men.

The donors, however, are also now more keenly aware of the need to have better coordination among themselves and the Zambian Government to ensure more effective outcomes on poverty reduction. The PRSP is now providing a concrete basis for coordinated actions.

¹² Statement by the German delegation at the 13th CG meeting for Zambia.

¹³ The British Government has stated that, with cooperation from international partners, retrieving some of the monies stashed away in private bank accounts abroad should not be impossible for Zambia.

As an example of the need for coordination, one can cite the issue of HIV/AIDS. Substantial funds for the fight against the disease are expected to be forthcoming through the Global Fund on HIV/AIDS, TB and Malaria, the World Bank MAP loan and from a number of bilateral donors such as Ireland, Sweden, US, Norway, Netherlands and Germany. Work is going on in parallel forums to establish mechanisms for coordinating implementation and disbursement of funds. Sweden has pointed out that unless the Government is able to take a lead in the process, there could be wastage of resources in administration through a number of parallel systems.¹⁴

The European Union has suggested the creation of a forum in which the Government and the donors could meet on a regular basis and monitor the progress in joint programmes to secure more effective development outcomes for Zambia. The Netherlands Government too has advocated the development of a joint framework for macro support, together with Government and other cooperating partners.

Such coordinating institutional mechanisms are imperative for Zambia at this juncture.

Capacity building

The PRSP document recognizes that the strengthening of Government's capacity for poverty reduction programmes is important for without it, very little will be achieved. The restructuring of the Ministry of Finance to include national planning and the establishment of a Department of Planning and Economic Management will enhance institutional capacity for social and economic management. The PRSP preparation process has been a catalyst in bringing about this restructuring.

However, some of the ministries that are critical in the implementation and management of the PRSP do not have the needed capacity. The Ministry of Community Development and Social Services (MCDSS) has for long been a ministry of little political importance until it was entrusted with the task of preparing the NPRAP. Social safety nets being a key component in poverty alleviation, the capacity of the MCDSS needs to be enhanced, as also of other social sector ministries such as Education and Health.

While the PEMD has been created, its capacity has not, in any way, been changed. The department has been created mainly through a 'recycling' of the staff that already existed within the MFNP. More professional staff may be required if the process of planning and budgeting are to be strengthened.

The World Bank supported Public Sector Capacity Building Project (PSCAP) aims to strength institutional capacity, but the feeling is that more donor support would be needed in the area of capacity building.

Another area for capacity building that can be identified is in respect of policy analysis and good data generation. There is need to strengthen local capacity for research and policy analysis in support of formulation of appropriate interventions and policies for reducing poverty.

In this respect, mention may be made of a Poverty Studies Centre that has been set up in the University of Zambia with the objective of providing a focused and coordinated

¹⁴ This is contained in the statement made by the Swedish Ambassador for Zambia at the 13th CG meeting.

academic contribution to poverty reduction. But although the Centre has been in existence for over a year, the general feeling is that it has not performed up to expectations. Efforts are under way to see how the Centre can be made more effective by bringing under its fold more staff that has the expertise in research on poverty.

The PRSP has enhanced capacity for inter-sector discussions as an inevitable requirement of the process. Through the awareness seminars and participation in the Working Groups, officials within various key sectors now have a better appreciation of the cross-cutting nature of many poverty-related issues and their sectoral functions. Once the sector ministries become linked to the PEMD, it would no longer be feasible for any particular sector ministry to formulate plans and budget proposals in isolation without having regard to their bearing on plans and budgets of allied sector ministries.

Capacity limitations exist on the side of the civil society as well. The CSPR secretariat is overwhelmed with logistical issues as opposed to other policy and analytical work. While it is dependent on donor funding and does get a fair share of support from the donors, it has to spend a significant amount of time in meeting the reporting requirements of various donor agencies. It has a limited outreach to grass root level communities. This was in evidence when it conducted Provincial Poverty Hearings. Many member organizations of the CSPR also do not have enough capacity to engage in policy analysis and discussions.

The CSPR, however, is gearing up to improve its capacity for effective participation in the monitoring and implementation of the PRSP. With assistance from donors, it has organized training workshops on poverty monitoring. It has set up, among others, a Monitoring and Evaluation Task Force. It has got prepared a manual on instruments for monitoring PRSP interventions. Commensurate with this manual, the development of an information database is under way.

The Zambia PRSP learning experience: flashback and fast forward

Much can be achieved in terms of making the PRSP process truly participatory, interactive and consultative if only civil society plays an active role and takes the needed initiative to make its voice heard. That the final Zambia PRSP document contains many of the valuable suggestions proffered by civil society bears testimony to this. This is one lesson that the civil society in Zambia has learnt in the course of the preparation of the PRSP. It has realized its own value and importance.

However, it would be unfair to imply that the learning process in this regard has been one-sided. The Government too has come to realize the benefits of consulting with civil society not only in the PRSP but also in all major areas of decision-making. The fact that the final document incorporates nearly three fourths¹⁵ of the suggestions made by civil society shows that the Government has come to accept that there is intellectual and professional capacity within the civil society that has not hitherto been tapped adequately.

Moreover, in taking on board much of civil society's advice, the Government also ensures general acceptance of its policy documents within the broader group of stakeholders and thereby ensures ownership and cooperation in their implementation. Thus the Government is enabled to kill two birds with one stone, so to speak.

¹⁵ Figures such as three-fourths and 80% that are often cited should only be treated as being heuristic. As has been mentioned in the section on the PRSP Process, what constitutes for example this 80% and what constitutes the remaining 20% that was excluded and how significant were these excluded elements are not precisely known.

Although the civil society in Zambia has formed a coordinating network through the CSPR, it still needs to consolidate itself by removing internal dissensions, making itself more inclusive and presenting a unified front in its dealings with the Government. In this regard, a positive move made by the CSPR is to frame a Memorandum of Understanding to be signed by all NGOs that wish to be part of the CSPR. This will serve to formalize the involvement of all concerned civil society organizations and enable the CSPR to shed its image of being just a loose network of NGOs.

A new approach such as the PRSP calls for a change of attitudes and a re-tuning of mindsets in line with the philosophy and principles of the new development compact. Without this change on the part of the political leaders, bureaucrats and indeed everyone in Government and civil society, there can be little success in achieving poverty reduction. The general perception that exists even now not only within civil society but even among some key personnel within the Government itself is that such a change is yet to be seen occurring in a significant way. But there is anticipation that under the present New Deal government, there are good prospects for such a change.

Some changes, however, can be witnessed in Government procedures. In preparing the 2002 Budget for instance, ministries were told to ensure that the principles and objectives of the PRSP were reflected in their budget submissions. And according to informed sources, a couple of ministries were even made to rework their original submissions accordingly.

Zambia should have had its national PRSP out way back in December 2001. However, the Presidential and Parliamentary elections held towards the end of 2001 caused a delay. Key political leaders were preoccupied with election campaigns and after the elections, the new leaders had to apprise themselves with what was going on. These events caused a discontinuity in the PRSP preparation process. Future PRSP preparations should anticipate all such major events and their preparations should start way ahead in order to make allowance for such eventualities and ensure that they do not affect the continuity of the PRSP and indeed of any development processes. The rollover approach should be helpful in this respect.

Another factor that can be cited for the delay in the preparation of the current PRSP is that the consultative process has been more involved in Zambia than what seems to have been the case in many other countries. The active and comprehensive engagement of the civil society warranted a longer time to achieve a broad consensus. This was, however, important in order to ensure that the PRSP became a truly nationally owned document. Future preparation of the PRSP should anticipate this factor as well and the process should start early enough to take this on board. But since there is now a more streamlined procedure for Government-stakeholder interaction (that is expected to continue at the implementation, monitoring and evaluation stages of the PRSP), future PRSP preparations have a greater chance of being time-efficient in this regard.

The Zambian PRSP process has a number of strengths:

- A comprehensive and logical institutional framework has been developed for the effective planning and implementation of the PRSP.
- A highly proactive and dynamic civil society exists that seems to be ever-eager to interact with Government and inform it of its concerns.
- Systems for monitoring and implementation are being put in place although one has to wait and see how meaningfully they work in practice.

- There is greater scope now for inter-sector interactions. Earlier, people were creating their own little plans within their respective sectors without concern for or knowledge of what was happening in other sectors. Such creations have much lower possibilities now.
- Despite protracted periods of standoff between the Government and the donor community in the past decade, the latter in general is currently favorably disposed towards Zambia and hence is now more likely than in the past to translate its financial pledges into actual disbursements.¹⁶
- There are of course shortfalls in capacity but there is also at the same time a distinct capacity within Government in terms of a prominent cadre of professionals. Zambians with postgraduate degrees can be found working even at provincial and district levels.

All the above strengths, however, are not enough to ensure the success of the PRSP! Past experiences demonstrate this. The Agricultural Sector Investment Programme (ASIP) is a case in point. Donors poured huge amounts of money in the programme. There was no dearth of PhDs in the Ministry of Agriculture and no lack of knowledge as to what needed to be done to resuscitate agriculture in the country. But ASIP failed to deliver. The ostensible reason for the failure of ASIP was that more than two-thirds of the funds were spent in Lusaka at the ministry headquarters with very little trickling down to the intended beneficiaries – the farmers.

For the PRSP to succeed, there has to be demonstrable political will and efficient management that will ensure an effective link between allocations, disbursements, actual spending and physical outputs that will eventually translate into welfare outcomes. The pronouncements by the present ‘New Deal Government’ of zero tolerance for corruption and of ensuring the rule of laws and not of men has to be actually practiced in the course of implementation of the PRSP. Greater transparency in the relay of information regarding resource availability (through HIPC and other sources), disbursements and use and easier access to stakeholders of all relevant data and documents will go a significant way in bringing down corrupt practices and ensuring the completion of poverty-related programmes.

As the Minister of Agriculture stated at the launch of the PRSP, “now we have the design of the house, but we don’t have the house”. For this to happen, the links mentioned in the foregoing paragraph have to be systematically forged. Financial allocations have to be made in consonance with PRSP programmes and activities. These allocations have to be disbursed fully and in a timely manner. The disbursements have to be spent again fully and in a timely manner. And the spending must be on those that directly benefit the poor (drugs and desks and not cars and carpets).¹⁷ It is here, as past experience has revealed with a pathetic persistence, that there can be many a slip between the cup and the lip.

The PRSP is undoubtedly an on-going process. Hence, even as implementation proceeds and research, analyses and learning continue, the document can still be refined. No document can be perfect. Despite its impressive content, the Zambian PRSP still has room for a number of improvements. The general feeling among a number of evaluators is that:

¹⁶ There has been evidence of this is the unprecedented level of financial pledges amounting to \$1.3 billion made by the donors at the recent CG meeting.

¹⁷ As the Ireland Aid representative aptly stated at Zambia’s 13th Consultative Group Meeting, there is need to ensure that public resources are utilized in priorities that have the best chance of improving people’s lives. “Our overriding concern will be to ensure that our investments in the key social sectors yield positive and tangible benefits for the Zambian people at the point of delivery – i.e. in the classroom, clinic and community”.

- More analyses should be done to understand the links between policy and poverty;
- There could be better integration of cross-cutting issues notably of HIV/AIDS, gender, water etc. in the various programmes;
- There needs to be much greater attention to social safety nets;
- There has to be further tightening of the priorities with greater specification of concrete pro-poor programmes and activities and their sequencing over the PRSP time frame.
- The targets and indicators for monitoring need to be refined and, in particular, reflect a better correlation with the Millennium Development Goals. The latter receive only a passing reference in the PRSP.
- It is a matter of urgency to put in place a broad-based and participatory mechanism for expenditure tracking and monitoring of outcomes.

Ultimately, the success of the PRSP will depend very greatly on the genuineness of Government's sense of obligations towards fulfilling the various targets relating to poverty reduction. Civil society and other stakeholders can at best serve only as catalysts to the Government's own sense of obligations.¹⁸ Civil society has repeatedly stressed that poverty reduction should be viewed not just as an *economic* question but also as an *ethical* question. It is about the life and death realities of over four-fifths of the Zambian population. As an extension of this perspective, the PRSP too should not be viewed simply as a tool of resource mobilization from donors but as a genuine agenda for the country's long-term development.

One talks often of the shortage of resources and the consequent inevitable dependence on donors. But if the numerous reports on corruption and misuse of resources are to be believed, the magnitude is such that, if most of these resources are recovered and redirected towards development, rapid economic growth could be generated and poverty reduced at an accelerated pace. Reliance on donor funding would then be significantly reduced if not possibly rendered wholly redundant. Ergo, Zambia's problem is not so much that of resources but of priorities.

What is more, with a more sincere, transparent and better prioritized and targeted expenditure of resources, the inherent moral hazard problem would be greatly overcome and ensure a smoother and greater flow of donor assistance. The withholding of much of donor funding in the past has been largely a reflection of moral hazard.¹⁹

¹⁸ Frequently critics have pointed out to the need for *commitment* on the part of the Government towards poverty reduction. But the magnitude and urgency of the challenge of poverty reduction are such that, if the PRSP is to be effective, Government has to move even beyond commitment to *obligations*. And obligations not only in respect of conduct but also in respect of results. The distinction between the two kinds of obligations is based on the Limburg Principles adopted in 1986 by the Economic and Social Council of the UN. The obligation of conduct would mean for example the adoption and implementation of a plan of conduct to reduce maternal mortality. The obligation of result, however, would require Government to achieve the relevant target under the Millennium Development Goals of reducing the maternal mortality ratio by three quarters between 1990 and 2015. This is the reason why the PRSP indicators are so important. They provide monitorable yardsticks to measure Government's obligation of results.

¹⁹ Consider this EU statement at the 13th CG meeting: "The recent revelations of abuse of office, rampant corruption, fraudulent behavior and financial mismanagement at the highest level of society gives rise to serious concern. The negative impact of corruption and diversion of funds on the socioeconomic as well as the democratic process severely hampers the effectiveness of Government and donor initiatives to promote development in Zambia, as evidenced by the appalling deterioration in infrastructure, the perennial absence of essential drugs in Government hospitals but, most importantly, by the increase in poverty".

In this regard, everyone has welcomed the statement in the PRSP chapter on Governance that: “A policy of ‘zero tolerance’ against corruption will become one of the major pillars of good governance in the country”. Leaders in the present New Deal Government too have been repeatedly echoing this statement at various forums. This has created much goodwill for the present Government. However, it remains to be seen what concrete and credible steps will be taken beyond the rhetoric of words to achieve results on the ground.

Civil society has pointed out that a lot of issues especially in terms of good governance such as constitutionalism, administration of justice, human rights and the fight against corruption can be addressed without any donor funding.²⁰ The Government should address these issues effectively as a first step to establish its own credibility.

The launch of Zambia’s first PRSP amidst growing evidence of considerable mismanagement and misdirection of resources in the past has also brought in the realization of the tremendous urgency to develop the MTEF and the IFMIS with a view to ensuring transparency and accountability in financial management. The development of these instruments must also be treated as an important area of priority by the Government.

²⁰ In its paper to the 13th CG meeting, the Inter-African Network for Human Rights and Development, Afronet says: “We challenge the Government that if their lack of political will is not because reviewing and reforming legal instruments that derogate from international norms of rights and freedoms challenges their assumed political supremacy, they should immediately act on governance and human rights remedial measures that do not need donor financing”.

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